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**NOTICE: WORKING-PAPER**

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**25X6A Austria's Displaced Persons**

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**FRANCE****A**

The political calm which has prevailed in France during the recent recess of the National Assembly is likely to be broken during the next few weeks by renewed friction among the parties in Parliament. These party disagreements, however, will probably not shape into an immediate threat to the Bidault Government, at least until after the London Foreign Ministers' Conference, where France's position would be considerably weakened by a Cabinet crisis and the fall of the Government.

The National Assembly will probably take up controversial domestic issues during the coming weeks, postponing, however, the most critical. The majority of the deputies agree that the detailed breakdown of the budget, which was passed last January, should be decided as quickly as possible. The problem of funds for state and Church schools has arisen once again, and undoubtedly there will be friction between the Socialists and the Popular Republicans (MRP) on this issue. In addition, disagreements will arise over the proposed anti-trust law, which is to be debated in the near future. A major political crisis, however, is not likely to develop, at least until the MRP and the Socialists have held their party congresses toward the end of May.

The most critical issue which the National Assembly is likely to consider, although probably not until June, and one which could well cause a Government crisis, is the question of meeting the budgetary

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deficit for the current year. Premier Bidault is expected to have difficulty in maintaining his middle-of-the-road Government in power when this issue is debated, especially as his Government was seriously endangered when the over-all budget was discussed last January. The Radical Socialists, the "economy-minded party", might very well upset the Bidault coalition if the Government fails to stay within the budget's limits and proposes to meet this deficit by increased taxation. The Socialists, on the other hand, might refuse to support the Government if it attempted to economize at the expense of the nationalized industries or the civil service.

A

A new approach to the ECA goal of prompt trade liberalization, now under serious study by French officials, would be likely to overcome somewhat the strong opposition of business and farm groups to this objective, and may soon be put forward energetically by France in the OEEC. The French are not optimistic that adoption of their approach would insure trade liberalization, which they are convinced, however, cannot be achieved except along these or similar lines, and with the simultaneous adoption of a multilateral payments union.

The French approach consists of two proposals which the French may urge all countries participating in the ERP to adopt: (1) A common list of goods which all participating countries (PC's) would free from quota restrictions; and (2) The abolition of all existing bilateral trade quotas between PC's, with multilateral quotas to be established on goods which the PC's could not agree to leave free.

The officials favoring these suggestions argue that relatively little progress has been made toward trade liberalization under the present approach, with each country freeing such goods as it chooses. The PC's have singled out imports that offer their own products little or no competition, or those that have been entering without restrictions. The French allege that as a result no important items (steel, chemicals, fertilizers, etc.) have been freed by all PC's. Furthermore, they claim that the cause of trade liberalization has actually been damaged by the present approach, because: (1) the arbitrary refusal of a country to liberalize particular goods can often be considered discriminatory by other PC's; (2) some countries resent

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the fact that others have more government-managed trade, which is not now subject to OEEC's liberalization plans; (3) the removal of import quotas has hastened the restoration of tariff duties by countries such as France and Italy; and (4) protectionist tendencies have in general been encouraged. The French believe that a common list of free goods could be worked out on the basis of reciprocal concessions by which all PC's could expect to gain, whereas it may be impossible to go much further in trade liberalization with the present approach.

Officials defending the French plan are hopeful that business and farm groups would find it more difficult to oppose liberalizing the importation of items on which all PC's are agreed than to oppose the liberalization of goods by the French Government alone. Furthermore, these officials are apparently ready to concede to business interests that cartels must be permitted to exist for the protection of "weak" industries, although the same officials profess to desire real trust regulation and more competition than existed under prewar cartel arrangements.

**B**

The French Government may be able to conserve its investment capital and improve its balance of payments position by lowering coal production costs as a result of the Government's decision to invest more in the Saar and less in the Lorraine coal basin. Previously, expansion of Lorraine coal production was being pushed; now the French Government is giving the Saar authorities 2 billion francs (over \$5½ million) for investment in 1950, a sum smaller than that originally scheduled for Lorraine.

Already Saar coal production has increased from 14.2 million tons in 1949 to an annual rate of 15.3 million for the first three months of 1950. Investments for new extraction machinery should enable the Saar to reach a total production of 16-17 million tons by 1952--a target which the French Government is likely to set in the near future--while Lorraine's goal will probably be revised downward still further, from 13 million tons to 10-12 million.

The increased production of Saar coal through a minimum of investment could cause a reduction in the export price of coal, and hence a rise in the amount exported, possibly aiding France's balance of payments position.

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**B**

Renewed emphasis by the French Communist Party on greater activity of the consultative plant committees threatens gradually to impede the implementation of the ECA-promoted productivity program, as well as the production of military equipment. These committees (compulsory since 1945) are composed of French worker delegates, about 80% of whom are members of the Communist-controlled General Confederation of Workers (CGT). Over the past two years most other elements have been purged from the committees.

At their national conference on 22-23 April, consultative plant committee delegates resolved to: (1) support worker demands; (2) impede arms production; (3) oppose the "productivity campaign"; and (4) refuse to approve the disciplinary firing of workers. Worker opposition (presumably physical) to the entry of foreign productivity experts into plants is to be promoted by committee members, who are also called upon to be "among the best members of the Combatants for Peace."

It is unlikely, however, that the great majority of the workers will support the second resolution. Nevertheless, these committees are in a position to slow down production, and will remain under the control of CGT union leaders. Further committee purges, which are contemplated, will result in turning the committees into "red cells" in industry, with legal standing.

#### **FRENCH AND SPANISH NORTH AND WEST AFRICA**

**B**

By encouraging the religious brotherhoods of French Morocco, the French are backing one of the most effective deterrents to Communism and nationalism in North Africa. A somewhat amorphous force on the side of tradition, conservatism, and the French Protectorate, they resolutely oppose modernization, the nationalist movement, Communism, and the pro-independence stand of the reigning Sultan. The religious brotherhoods are found throughout the Moslem world and bear much the same relation to Islam as monastic orders bear to Catholicism. A principal difference between the brotherhoods and Catholic orders is that there are no professional Moslem devotees, all adherents being lay followers. These sects are basically orthodox Mohammedan, differing only slightly from each other in ritualistic detail, and allegiance to their dynastic leadership.

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## **BELGIUM**

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Belgian political instability will continue during the pre-election period in view of the fact that the solution of the royal question and other pressing domestic problems must be postponed. Upon the inability of Catholic Party leader van Zeeland, an ardent pro-Leopoldist, to form a Government based on a compromise solution of King Leopold's status, the Prince Regent called upon former Premier Eyskens to dissolve Parliament and schedule new elections for 4 June. The political campaign, revolving solely around the issue of the return of King Leopold, probably will further divide the country. No matter what the final outcome of the elections on the parliamentary strength of the three major parties, the repercussions of the royal question will have an unfavorable effect on Belgian political and economic stability for some time.

## **ITALY**

**A**

Widespread popular criticism of the Western Powers and the pro-Western policy of the Italian Government has resulted from the highly inflamed state of Italian public opinion over the recent developments concerning Trieste. The Italians, who have long feared that the Yugoslav section (zone B) of the Free Territory of Trieste might be lost to Italy, have been alarmed at: (1) Yugoslav moves in that zone, high-lighted by the victory of the pro-Tito party in the 16 April local elections, and (2) the failure of the Big Three to reaffirm adherence to their 20 March 1948 declaration, advocating the return of the entire territory to Italy. Furthermore, the evident US interest in strengthening the position of Tito vis-a-vis the USSR, and the approach by the Western Powers to the Italian and Yugoslav Governments urging bilateral negotiations to solve the Trieste issue, have aroused widespread apprehension among the Italian people that the US may have already abandoned the tripartite declaration.

The concern of the Italian Government over the current Trieste situation is reflected in Sforza's statement in Parliament that further territorial losses might lead Italy to denounce the peace treaty. The reaction of nationalists in Parliament has been expressed in ex-Premier and elder statesman Orlando's request for a revision



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of Italy's system of alliances and Italy's withdrawal from the NATO. The danger inherent in such an appeal is accentuated by the general public apathy in Italy regarding the MDAP, compared to the inflamed state of public opinion on the Trieste issue.

Because of strong Italian irredentist and nationalist sentiment for Trieste, formal negotiations leading to a loss at this time of zone B would threaten the political stability of the De Gasperi Government and adversely affect Italy's relations with the Western Powers.

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## **SPECIAL ARTICLE**

### **AUSTRIA'S DISPLACED PERSONS**

**T** Displaced persons in Austria constitute a more urgent problem to the Western Powers as a result of the Soviet-sponsored treaty text on DP's and the approaching termination of the International Refugee Organization (IRO). Although no overall solution to this problem is foreseen, new consideration is being given to a removal of many of these DP's from Austria to Germany.

The Western Powers have been unable to alter the Soviet-sponsored provisions on this subject in the Austrian treaty. By the terms of the Soviet text, Austria would be prohibited from granting aid to persons who refuse to return to their native countries, if such persons helped the enemies of the Allies during the War or are engaged in hostile activities against their countries of origin. Although the Western Powers realize that this wording would, in effect, force Austria to repatriate political refugees from the Soviet and Satellite area, they are considering an acceptance of the Soviet text as part of an effort to resolve all the remaining unagreed treaty articles. Before accepting, however, the Western Powers are considering the implementation of a plan to remove from Austria the great majority of those persons whom the USSR would want repatriated. Similar measures were taken, though on a much smaller scale, prior to the Italian treaty.

Considerable assistance in such removals could be rendered by the IRO, which is, however, scheduled for termination as soon as possible after 30 June 1950. Although its activities will begin to taper off after that date, it will probably operate at least into 1951. Any evacuation movement of DP's from Austria which might be undertaken prior to completion of the treaty is, nevertheless, preferable during the period of IRO operations.

It is mainly the DP's in the western zones of Austria who would be affected by the plan. In these zones there are an estimated 49,000 displaced persons who might desire a transfer to Germany for political reasons; this figure does not include those numerous DP's unaffected by the Soviet text. Of this figure, there are presently 15,000 IRO in-camp DP's, 24,000 IRO out-of-camp DP's, and 10,000 ex-enemy displaced persons. It is estimated that at least 80%, or some 39,000, of

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all these would elect to go to Germany. Their number would be augmented by displaced persons who would make their way from Vienna into the western zones, and it is possible that there would be some increase in the influx of Satellite refugees into Austria as the plan got under way.

There are several reasons why the Austrian DP's might be sent to Germany. The Federal Republic is the only western European country which could be forced to receive them. As an occupied ex-enemy nation, it differs legally from Austria, which is considered a "liberated" country. In addition, an evacuation to Germany could be considered as part of the Volksdeutsche program, which has never been completed. Of nearly 300,000 Volksdeutsche in Austria, approximately 80,000 should, according to the Potsdam Agreement, be returned to Germany. Despite this agreement, however, no Volksdeutsche have been received in Germany since 1946, and their care has fallen to the Austrian Government. Under an evacuation plan, the total of IRO and ex-enemy DP's to be transferred would still be below the number of Volksdeutsche scheduled for transfer to Germany, but never actually transferred.

The evacuation of these persons from Austria would not only rid the Austrian Government of an embarrassing political problem, but would be a step toward alleviating economic and sociological problems. These problems would undoubtedly grow if the DP's remain after the termination of IRO activities. Observers agree that if a treaty, including the Soviet text on DP's, comes into effect, many thousands of displaced persons in Austria might be in real danger, and their tardy evacuation would be a serious problem. The Austrian Government would undoubtedly welcome an early evacuation plan, and hail it as evidence that the Western Powers are cooperating with the recent Austrian proposals for an alleviation of the occupation burdens on Austria.

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